



Town of Baldwin

Claims Auditing

2023M-113 | December 2023

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Report Highlights

Town of Baldwin

Audit Objective

Determine whether the Town of Baldwin (Town) Board (Board) properly audited and approved claims prior to payment.

Key Findings

The Board did not always properly audit claims before approving them for payment. Due to insufficient documentation, we were unable to determine and the Board was unable to support it approved claims before payment. We reviewed 71 claims (out of 353 claims) totaling approximately \$55,100 and determined that Town officials did not comply with the Town's procurement policy. In addition:

- Twenty-three claims totaling approximately \$35,000 (64 percent of the dollar amount reviewed) did not contain evidence that the required competition was sought.
- Nine claims totaling approximately \$7,400 (13 percent) were not supported with sufficient documentation such as detailed receipts, weigh tickets or itemized invoices.
- The Town may have saved approximately \$1,100 had officials complied with the Town's procurement policy when purchasing propane.

Key Recommendations

- Comply with Board policies requiring competition when procuring goods and services.
- Ensure each claim has sufficient supporting documentation before authorizing payment.

Town officials generally agreed with our recommendations and indicated they planned to, or have taken, corrective action. Appendix B includes our comments on the Town's response.

Background

The Town is located in Chemung County and is governed by the elected five-member Board including the Town Supervisor (Supervisor). The Board is responsible for the general oversight of Town operations and finances.

The Supervisor serves as the chief fiscal officer and is responsible for the day-to-day operations.

The Highway Superintendent is responsible for overseeing all highway department operations.

The Town Clerk collects the claims from the department heads to provide them to the Board for audit at the monthly meetings. The Town's bookkeeper prepares the checks after the Board audits the claims.

Quick Facts

2022 Appropriations

| | |
|--------------|-----------|
| General Fund | \$270,825 |
| Highway Fund | \$583,464 |

Number of 2022 Claims

| | |
|--------------|-----|
| General Fund | 180 |
| Highway Fund | 173 |

Audit Period

January 1, 2022 – December 31, 2022. We extended our audit scope to August 31, 2023 to determine whether certain new Board procedures were in effect.

Claims Auditing

What Is a Proper Claims Audit?

Auditing and approving claims is an important part of a town board's responsibility to help ensure that tax dollars are spent efficiently and that all purchases are authorized, adequately supported and are actual and necessary expenditures before approving them for payment.

Each claim must contain enough supporting documentation to determine whether it complies with statutory requirements and town policies (e.g., procurement policy) and that the amounts claimed represent actual and necessary town expenditures. Generally, a town board must audit all claims against a town before payment is made.¹

New York State General Municipal Law Section 103 generally requires competitive bidding for purchase contracts exceeding \$20,000, with certain exceptions. In lieu of seeking competition, towns are also authorized to make purchases using other publicly awarded government contracts, such as those of a county, or the New York State Office of General Services (OGS). To determine whether competitive bidding is necessary, town officials must consider whether the aggregate cost of a good or service within a 12-month period will exceed competitive bidding thresholds.

The Town's procurement policy outlined the purchasing process for goods and services not required to be bid unless the item was procured on OGS or county contract (Figure 1). The policy also required that all documentation supporting purchasing decisions should be filed with the subsequent purchase documents.

Figure 1: Town Procurement Policy Thresholds for Purchase Contracts

| Purchase Amount | Policy Requirements |
|-----------------------------|---|
| Less than \$500 | Left to the discretion of the department head |
| Between \$500 and \$1,999 | Purchase order required |
| Between \$2,000 and \$4,999 | Verbal quotes from two vendors |
| Between \$5,000 and \$9,999 | Written quotes from three vendors |
| \$10,000 and greater | Formal bid required |

Town boards should indicate approval of claims by signing or initialing each individual voucher packet or an abstract of audited claims, which typically would then be forwarded by the town clerk to the town supervisor to prepare and sign the checks. The town board meeting minutes should also reflect what claims have been audited and whether they were allowed or disallowed, in whole or in part.

¹ A board may, by resolution, authorize payment for public utility services, postage, freight and express charges in advance of audit. The claims for such advance payments must be presented at the next regular board meeting for audit.

In addition, minutes should indicate the beginning and ending claims numbers approved for payment, and the total amounts approved by fund.

Town Officials Did Not Follow the Procurement Policy and the Board Did Not Properly Audit All Claims

We reviewed 71 claims² totaling approximately \$55,100 and found that Town purchases did not follow the procurement policy, lacked adequate supporting documentation and were not properly audited by the Board. Through discussions with Town officials and a review of vendor information, we determined that all claims tested were for appropriate Town purposes. Specifically:

Quotes – Town officials did not follow the procurement policy for 23 claims totaling \$35,025, or 64 percent of the dollar amount reviewed, because the claims did not contain sufficient documentation to verify that the appropriate number of quotes were obtained before purchase. These purchases included stone and sand, diesel fuel and 14 propane purchases. Town officials might have saved \$1,134 (16 percent) on propane if they had used the OGS contract pricing option. In order to use the contract pricing rates offered through OGS, Town officials would need to file fuel requirements with OGS prior to the awarding of such contracts or reach an agreement with the State contract vendor. The Highway Superintendent stated that he solicited quotes when necessary but did not keep quote information on file after the purchases were made. Because he did not maintain support documentation, we could not verify that the minimum number of required quotes for the purchases were obtained, whether the Town paid the lowest price or whether these purchases were procured through OGS or county contracts.

Unsupported Claims – Town officials were unable to provide sufficient documentation to support certain purchase payments. Officials were unable to provide detailed receipts, weigh tickets or itemized invoices, for nine claims totaling \$7,339, or 13 percent of the dollar amount reviewed. Among the unsupported payments were:

- A purchase of anti-skid sand totaling \$6,087;
- A payment of \$426 to a New York State Department of Transportation program;
- A \$266 payment for a copier contract;
- Three payments for cleaning services totaling \$250;
- A credit card purchase of hardware supplies totaling \$217; and
- A credit card purchase of wheel bearings totaling \$93.

² Refer to Appendix C for further information on our sample selection.

The Supervisor told us the Board usually reviews each claim to ensure it has adequate support and did not realize some lacked adequate documentation.

Inadequate Audit Documentation – None of the claims reviewed were included in the Board meeting minutes as being audited by the Board. While the Board minutes indicated that the Board approved the claims, they did not indicate which claims were approved by either voucher or check sequence or by total amount. Because the documentation of claims reviewed did not indicate which claims were approved, we were unable to determine whether claims were paid prior to Board approval. We discussed claims audit documentation with Town officials during our audit. The Supervisor and one Board member told us that, before speaking with auditors from the Comptroller’s Office, they were unaware that Board meeting minutes should have included the beginning and ending claims numbers approved for payment and the total amounts approved by fund. During our fieldwork, we also shared our claims audit publication *Improving the Effectiveness of Your Claims Auditing Process* with the Board³ and provided the links to other training resources we provide.⁴

At the end of fieldwork, the Supervisor informed us the Board is now using new procedures that will document the approval of claims on abstracts and include voucher sequence and approved amounts in the Board minutes. We reviewed abstracts and Board minutes for the August 2023 Board meeting and confirmed these procedures were in effect.

The lack of competition, unsupported payments and improper claim audits occurred because officials did not comply with the procurement policy and Board members were unaware of claims audit requirements, in part because the Board members did not take training to learn what their claims audit responsibilities were.

When the Board does not ensure that appropriate competition is sought before purchases are made, cost savings may be missed, and those increased costs are passed on to the taxpayers. Furthermore, although all 71 claims reviewed were for appropriate Town purposes, unsupported payments were made and claims were not adequately supported or properly audited before payment.

... [T]hey were unaware that Board meeting minutes should have included the beginning and ending claims numbers approved for payment and the total amounts approved by fund.

3 <https://www.osc.state.ny.us/files/local-government/publications/pdf/improving-the-effectiveness-of-claims-auditing-process.pdf>

4 <https://www.osc.state.ny.us/local-government/academy/webinars>

What Do We Recommend?

The Board should ensure:

1. Officials comply with Board policies requiring competition when procuring goods and services.
2. Each claim has sufficient supporting documentation before authorizing payment.
3. All information regarding Board-approved claims is sufficiently documented in claims packets and Board meeting minutes.
4. Members attend applicable and beneficial training sessions that were mentioned in this report to obtain a better understanding of the claims audit process.

The Highway Superintendent should:

5. Include quote documentation with submitted claims when required so the Board can ensure compliance with the procurement policy.
6. Periodically compare quotes from vendors to OGS and county contracts to help ensure purchases are cost effective and in the taxpayers' best interest.

Appendix A: Response From Town Officials

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November 13, 2023

To Whom It May Concern:

As Baldwin Town Supervisor, I am concerned that the claims audit is misleading and may give citizens a false impression of our procedures. The Board approved payments the same way for decades and the discrepancy listed in the audit findings are a result of following past practices. The corrective measure given to us by the auditors, is to put into the meeting minutes the claim numbers being paid and the total amount being paid which we started doing when we were made aware of this by the auditors. Apparently, simply voting to pay the bills is insufficient. Instead, each claim number and the total dollar amount must be specified in the minutes.

See
Note 1
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The town's Procurement Policy was followed. The discrepancy comes as a result of the Board not entering all the price quotes into the minutes. The corrective measure is to enter all price quotes into the meeting minutes along with the reasons for choosing each price quote item we purchase and then stapling every receipt to a voucher with a note of how, where or on what each item purchased was needed or used. Again, our town's Procurement Policy was followed as it had been for decades. The auditors insist we be more detailed and enter such details into the record. The only discrepancy here is the lack of details which we are addressing and instituting. The lack of details for credit card purchases that do not need price quotes will have what, how and/or where the item was used, noted on the receipt received at time of purchase and stapled to a voucher with the billing statement.

See
Note 2
Page 8

The purchases of sand, gravel or any other earth materials are also always made in the most cost-effective way. The amount of fuel, man hours and quality of the material are considered in determining which entity we purchase from. We get price quotes from at least three suppliers and figure fuel, man hour costs and material quality to make the most cost-effective purchase. The lowest price quote is not necessarily the most effective purchase if the distance adds excessive fuel and man hour costs. Also, buying by the ton often is not as cost effective as buying by the yard. Buying by the ton always includes water weight. Sometimes excessive water weight. Buying by the yard, more often than not, is the most cost-effective way to purchase earth materials. As stated above, the only discrepancy is the lack of details. All receipts, invoices etc. will have notes added to clarify and detail each claim. Each voucher has plenty of space for any details and all receipts will be stapled to vouchers with any notes. All unsupported claims in the audit report are a result of the lack of details.

The Highway Superintendent has and will continue to compare quotes from vendors to OGS and County contracts. One big problem with OGS purchases is timely delivery. We have noted that there have been delayed deliveries with OGS in the past that have resulted in fuel running out before delivery was made. I have also noticed in the audit report that we "might have" saved money on propane through OGS. Key words here "might have". I believe we have diligently sought the most cost-effective purchases as well as the most timely delivery vendors. Our Highway Superintendent will be more diligent

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in his documentation of quotes and all quotes will be entered into the meeting minutes and decided upon by the Board with the reason for selection stated.

Training is available and encouraged and I have mentioned training opportunities in the past that are in the minutes of the meetings I mentioned them. Available training opportunities will be posted at the Town Hall.

In conclusion, all recommendations by the auditors have been or are being instituted. This response to the OSC audit report includes our Corrective Action Plan (CAP) detailed above.

Sincerely,

Russell Purvis

Town of Baldwin Supervisor

Appendix B: OSC Comments on the Town's Response

Note 1

To clarify, we indicated to Town officials they should include the range of the claim numbers (i.e., beginning and ending claims numbers), not that each claim number should be listed in the Board meeting minutes.

Note 2

As discussed in the report, the claims did not contain sufficient documentation to determine whether the appropriate number of quotes were obtained before purchased as required by the procurement policy, and not because this information was excluded from the Board meeting minutes. We added the procurement policy documentation requirement to the report to help clarify.

Appendix C: Audit Methodology and Standards

We conducted this audit pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article 3 of the New York State General Municipal Law. To achieve the audit objective and obtain valid audit evidence, our audit procedures included the following:

- We interviewed Town officials and reviewed Board meeting minutes, abstracts (list of audited claims) and claims to gain an understanding of the claims audit process and relevant Town policies and procedures.
- We used our professional judgment to select a sample of 53 claims totaling approximately \$48,600 to determine whether claims were properly supported by invoices or itemized receipts, audited by the Board and for appropriate purposes. We chose our sample to include claims from various procurement policy competitive thresholds.
- We aggregated a total of 14 propane purchases totaling approximately \$7,300 and compared them to OGS contract prices to determine any potential cost savings for the Town. Four of these purchases totaling \$2,078 were included in the claims testing above.
- We selected all credit card payments and judgmentally selected one big-box vendor line of credit based on the high risk of personal use purchases, resulting in a sample of nine purchases totaling approximately \$1,500. We then reviewed these payments to determine whether they were supported with adequate documentation, were approved by the Board before payment, were for proper Town purchases and complied with the procurement policy. One of these purchases totaling \$256 was included in the claims testing above.

We conducted this performance audit in accordance with generally accepted government auditing standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Unless otherwise indicated in this report, samples for testing were selected based on professional judgment, as it was not the intent to project the results onto the entire population. Where applicable, information is presented concerning the value and/or size of the relevant population and the sample selected for examination.

The Board has the responsibility to initiate corrective action. A written corrective action plan (CAP) that addresses the findings and recommendations in this report should be prepared and provided to our office within 90 days, pursuant to Section 35 of General Municipal Law. For more information on preparing and filing your CAP, please refer to our brochure, *Responding to an OSC Audit Report*, which you received with the draft audit report. We encourage the Board to make the CAP available for public review in the Town Clerk's office.

Appendix D: Resources and Services

Regional Office Directory

www.osc.ny.gov/files/local-government/pdf/regional-directory.pdf

Cost-Saving Ideas – Resources, advice and assistance on cost-saving ideas

www.osc.ny.gov/local-government/publications

Fiscal Stress Monitoring – Resources for local government officials experiencing fiscal problems

www.osc.ny.gov/local-government/fiscal-monitoring

Local Government Management Guides – Series of publications that include technical information and suggested practices for local government management

www.osc.ny.gov/local-government/publications

Planning and Budgeting Guides – Resources for developing multiyear financial, capital, strategic and other plans

www.osc.ny.gov/local-government/resources/planning-resources

Protecting Sensitive Data and Other Local Government Assets – A non-technical cybersecurity guide for local government leaders

www.osc.ny.gov/files/local-government/publications/pdf/cyber-security-guide.pdf

Required Reporting – Information and resources for reports and forms that are filed with the Office of the State Comptroller

www.osc.ny.gov/local-government/required-reporting

Research Reports/Publications – Reports on major policy issues facing local governments and State policy-makers

www.osc.ny.gov/local-government/publications

Training – Resources for local government officials on in-person and online training opportunities on a wide range of topics

www.osc.ny.gov/local-government/academy

Contact

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<https://www.osc.ny.gov/local-government>

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